

MOREHOUSE SALES AND USE TAX COMMISSION



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ADVISORY SERVICES REPORT

ISSUED JULY 12, 2006

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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July 12, 2006

**MR. RON CARTER, ADMINISTRATOR,  
AND MEMBERS OF THE MOREHOUSE  
SALES AND USE TAX COMMISSION**  
Bastrop, Louisiana

We applied our *Checklist of Best Practices in Government* in providing advisory services for the Morehouse Sales and Use Tax Commission's (commission) business office. In addition, we reviewed the commission's *actions to resolve* the audit findings reported in the June 30, 2005, audited financial statements. Attachment I provides our recommendations resulting from our assessment of the procedures and practices of the commission's business office. Attachment II provides the status of the June 30, 2005, audit findings and Attachment III is an example of a travel reimbursement form. The response from management of the commission is presented in Appendix A.

Our recommendations are intended to improve controls over financial operations, provide advice in implementing good business practices, and ensure compliance with state laws. However, management of the commission should consider the costs of implementing our recommendations compared to the benefits they will provide. This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the commission's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

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## Recommendations

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We commend the commission for implementing the following procedures to improve controls and operations of the commission:

- Providing monthly financial statements, including a detailed listing of expenditures, to all commission members
- Requiring the administrator and commission chairperson to document their approval on all vendor invoices before they sign the checks
- Implementing improvements for processing mail, cash receipts, credit cards, travel claims, and computer maintenance
- Canceling all credit cards and cellular phones, except for one credit card and one cellular phone

### **Recommendations**

The following are the recommendations resulting from our advisory services. The recommendations are presented to improve the system of controls that provide for the safeguarding, managing, and accounting for assets of the commission and to ensure compliance with applicable state laws. However, management of the commission should consider the costs of implementing these recommendations compared to the benefits they will provide. For those recommendations not implemented, management should be aware of the risks of not implementing such controls.

Management's response to the recommendations is included in Appendix A.

### **Written Procedures**

We recommend that formal written procedures be prepared for the various business functions of the commission. Formal written office procedures are necessary so that there is a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and that the procedures followed meet management's expectations. Also, written procedures aid in the continuity of operations and for cross-training staff.

There are no written procedures for the following:

1. Preparing and amending the budget
2. Processing payroll
3. Ensuring that bank balances and investments are adequately secured
4. Collecting delinquent accounts

5. Selecting businesses for audit
6. Auditing procedures performed on an ongoing basis
7. Identifying that new businesses are registered and paying taxes (e.g., review of utility turn-ons and occupational licenses issued)
8. Purchasing materials, supplies, and capital assets
9. Recording, tagging, and safeguarding capital assets
10. Preparing monthly reports for commission members (see “Operational/Board Oversight,” page 4)
11. Filing suit for non-filing/payment of taxes

### **Bank Statements**

Having an adequate system of checks and balances is not practical because of the limited number of employees. The commission chairperson should receive the monthly bank statements directly (unopened) from the bank and that he review them for any unusual disbursements and that deposits appear reasonable. This review of the bank statements will strengthen controls over the receipt and disbursement of funds. After the chairperson’s review, the bank statements should be given to the administrator for him to perform the bank reconciliations.

### **Restrictive Endorsement on Checks Received**

As an internal control feature and a good business practice, we suggest that all checks be restrictively endorsed upon receipt (i.e., “For Deposit Only - Morehouse Sales and Use Tax Commission”). Checks held overnight are not restrictively endorsed until processed into the system the next day.

### **Blank Checks**

We suggest that blank checks be locked in a file cabinet when not being used. Blank checks for the tax account and the operating account are left either attached to a printer or in the paper tray of a printer at all times.

### **Payroll**

We recommend that each commission employee complete a simple time sheet to document the hours worked and leave taken (annual and/or sick). The time sheet should be signed by the

employee and approved by the administrator. The administrator's time sheet should be approved by the commission chairperson. Presently, only leave taken is documented by the administrator.

### **Travel Reimbursement Form**

We recommend that the commission revise its travel reimbursement form to include more detailed information. The present form provides only summary information. (See Attachment III for an example of a travel reimbursement form).

### **Vehicle Log**

A vehicle log should be used to document all travel in the commission-owned automobile. The log should include the date of travel, purpose/nature of travel, odometer readings, miles traveled, and driver's signature.

### **Vehicle Decal**

The commission should comply with the requirements of state law (R.S. 49:121) and place an appropriate decal on its vehicle.<sup>1</sup>

### **Agreement to Collect Taxes**

The commission should execute a new agreement with the Morehouse Parish Tourism Commission to collect the hotel/motel tax. The agreement to collect this tax expired December 31, 2000.

### **Disaster Recovery Plan /Business Continuity**

We recommend that a formal written disaster recovery/business continuity plan be prepared and tested/revised annually. Having a formal written plan is a good business practice as it will provide the steps to be performed to continue the commission's operations in the event of a natural disaster, fire, or terrorist attack.

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<sup>1</sup> R.S. 49:121 provides that every vehicle belonging to the state or any of its political subdivisions or to any department, board, commission or agency of any of its political subdivisions shall have inscribed, painted, decaled, or stenciled conspicuously thereon, either with letters not less than two inches in height and not less than one-quarter inch in width or with an insignia containing not less than one hundred forty-four square inches, or if circular, not less than eight inches in diameter, the name of the subdivision of the state to which the vehicle belongs. The name of the political subdivision shall be placed on the outside of the door on each side of every automobile, truck or other vehicle.

**Operational/Board Oversight**

The commission members should consider the following:

1. Filling auditor position with capable and qualified individual
2. Using the unrestricted fund balance of the commission in determining the amount of funding to provide to the commission. For the fiscal year ending June 30, 2005, the unrestricted fund balance was \$123,975. We are unsure why the significant surplus exists.
3. Amending the “Joint Agreement for Collection of Sales and Use Taxes” to change the funding of the commission from a budget basis to a *commission basis*

A *commission basis* would provide funding to the commission based solely on an agreed-upon percentage of tax collections. This method of funding has the advantage of providing an incentive to the administrator in reducing operational expenses and maximizing the collection efforts. The unrestricted fund balance that accumulates would be retained by the commission for operations.

4. Transferring the check writing (vendor payments, payroll, payments to taxing authorities), bank reconciliations, and financial reporting functions to either the school board, sheriff, or the City of Bastrop

Removing the accounting responsibilities from the administrator would allow him more time to devote to the operations of the commission (supervising and training staff, monitoring collections, and auditing). In addition, removing the accounting responsibilities from the administrator would provide additional checks and balances for the commission. If this happens, the commission should decrease its charges to the taxing bodies.

5. Requiring monthly reports for each taxing district, such as:
  - Number of new businesses registered
  - Number of audits conducted and additional taxes collected resulting from the audits
  - Number of businesses delinquent filing tax returns and percentage of delinquency to total businesses registered
  - Amount of delinquent funds collected
  - Increases/decreases in collections compared to the previous month, same month prior year and year-to-date (current year vs. prior year)
  - Amounts and percentages collected for the largest taxpayers compared to current and prior year collections

6. Approving all contracts for professional services (e.g., legal and outside tax auditors)
7. Requiring prior approval by the board chairperson for all out-of-state travel
8. Requiring a proposed list of capital outlay items to accompany the budget document and establishing a dollar threshold for individual items that require commission member approval
9. Adopting the state travel policy

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Status of June 30, 2005,  
Audit Findings

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## STATUS OF JUNE 30, 2005, AUDIT FINDINGS

The following represents a summary of the audit findings reported in the June 30, 2005, audited financial statements and the disposition of those findings, as of our last day of our field work on April 20, 2006. The disposition of the findings is based on our assessment of commission operations from December 1, 2005 through April 20, 2005.

June 30, 2005, Audit Finding	Disposition as of April 20, 2006
<p><b>Inadequate Segregation of Duties</b> - due to economic and space limitations</p>	<p>Although not practical to have an adequate system of checks and balances, the commission chairperson now reviews vendor invoices and signs checks for the operating account.</p>
<p><b>Holding of Taxes Paid Under Protest</b> - taxes paid under protest were not maintained in a separate escrow account</p>	<p>Resolved. The commission settled the last case and the funds were repaid to the taxpayer in August 2005.</p>
<p><b>Improvement of Internal Controls Over Expenditures and Revenues</b> -</p> <ul style="list-style-type: none"> <li>• Unauthorized credit card charges were made for vehicle rentals</li> <li>• Cell phone abuse</li> <li>• Inadequate controls over cash received from taxpayers</li> <li>• Modification of tax system data not monitored</li> <li>• Travel reimbursements - overpayment of mileage, payment for meals when no overnight travel incurred, per diem for meals paid when conference provided the meal(s)</li> </ul>	<p>Resolved. Employee making the unauthorized charges was terminated. In addition, a vehicle was purchased for business use.</p> <p>Resolved. All but one cell phone has been cancelled. That phone is to be used when an employee of the commission is working out of the office.</p> <p>Resolved. New receipt books are used, the receipts are sequentially numbered, one book is issued to the clerks at a time, and unused books are in the possession of the administrator. The administrator reconciles the receipts and the deposit slips to the cash payments reported in the tax accounting system.</p> <p>Resolved. A report showing all changes made and who made the changes is produced monthly and is reviewed by the administrator.</p> <p>Not resolved. No odometer readings included on reimbursement request forms. Reimbursements made for meals when reimbursement request form did not indicate overnight travel occurred. Reimbursement claimed when meals provided by conference. Tips for meals claimed in addition to the per diem for meals.</p>

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## Example Travel Reimbursement Form

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Morehouse Sales and Use Tax Commission

Travel Reimbursement for Period \_\_\_\_\_ to \_\_\_\_\_

For Employee \_\_\_\_\_

EXPENSE SUMMARY

AUTOMOBILE

\_\_\_\_\_ mi. @ \_\_\_\_\_ \$ \_\_\_\_\_

LODGING

\$ \_\_\_\_\_

MEALS

\$ \_\_\_\_\_

OTHER EXPENSES

(tips, tolls, parking, etc.)

\$ \_\_\_\_\_

SUB-TOTAL

\$ \_\_\_\_\_

LESS TRAVEL ADVANCE

\$ \_\_\_\_\_

TOTAL REIMBURSABLE COSTS

\$ \_\_\_\_\_

I certify that the above report is correct

Date

Approved:

Date:

## Management's Response

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Ron Carter  
Administrator

# Morehouse Sales & Use Tax Commission

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Member of Louisiana Association of Tax Administrators  
Visit our website: [www.laota.com](http://www.laota.com)

May 30, 2006

Legislative Audit Advisory Council  
State of Louisiana  
P O Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Steve J. Theriot, CPA

I have reviewed the draft of the recommendations from the audit and have enclosed Management's Responses.

If additional information is required, please notify me at 318-283-5957 or via e-mail at [mpstc@bellsouth.net](mailto:mpstc@bellsouth.net).

Sincerely,

W. Ron Carter  
Administrator

Enclosure

Proudly Serving

Morehouse School Board • Morehouse Sheriff Department • Morehouse Police Jury  
City of Bastrop • Village of Mer Rouge • Village of Bonita • Village of Collinston

## MANAGEMENT'S RESPONSE TO RECOMMENDATIONS

1. Written Procedures - Management agrees with the audit that written procedures should be prepared for recommend items. We will begin to collect information to put in writing procedures to ensure continuity and cross training.
2. Bank Statements - This recommendation will have to be addressed by the chairman and the Commission Board. After, report is released, will present to the board and chairman for consideration.
3. Restrictive Endorsement on Checks Received – Will implement this recommendation as much as possible, but certain periods of large amount of mail will prohibit at times.
4. Blank Checks – will take under advisement.
5. Payroll – Have implemented this recommendation already.
6. Travel Reimbursement Form – Have downloaded the example provided by auditor and will begin using for travel. Also, the Auditor recommended at the exit conference that the Board may want to adopt the State travel policy; this will be discussed at a future board meeting
7. Vehicle Log- Have downloaded a Vehicle Log template for Excel to print out and will begin using in June 2006.
8. Vehicle Decal – Will make arrangements to have decal placed on the vehicle.
9. Agreement to Collect Taxes – Agreement has been typed and awaiting approval and signatures.
10. Disaster Recovery Plan – Will try and put together a written Disaster Recovery Plan after researching and trying to get help from other tax collectors.
11. Operational/Board Oversight
  - a. Auditor – Will advertise for this position after board meeting to adopt a budget for next fiscal year, and salary will depend on the Boards vote.
  - b. Administrator's Salary - This will be presented to the Board for their input.
  - c. Accounting Responsibilities – This will be presented to the board in the future for their input.
  - d. Monthly Reports – In the past, several reports have been giving to the board members, but will question the board about what reports they are interested in receiving.
  - e. Contracts – although not required by the joint agreement, all contracts with outside services have been presented to the board for their approval.

- f. Out-of-state Travel- This will be discussed with the board.
- g. Capital Outlay-Will discuss with the board members and I believe this can be included in the budget approval.
- h. State Travel Policy-will present to the board for their approval.



W. Ron Carter  
Administrator  
Morehouse Sales Tax Commission